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## JUSTICE NEWS

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### **Three Real Estate Developers Convicted in \$20 Million Mortgage Fraud Scheme**

A federal jury convicted three Miami real estate developers today for their roles in a \$20 million mortgage fraud scheme involving the sale of condominium units in the Miami area.

Assistant Attorney General Leslie R. Caldwell of the Justice Department's Criminal Division, U.S. Attorney Wifredo A. Ferrer of the Southern District of Florida, Special Agent in Charge Nadine Gurley of the Department of Housing and Urban Development's Office of the Inspector General (HUD-OIG) in Miami and Inspector General Laura S. Wertheimer of the Federal Housing Finance Agency Office of Inspector General (FHFA-OIG) made the announcement. U.S. District Judge Patricia A. Seitz presided over the trial in the Southern District of Florida.

Stavroula Mendez, 68, Lazaro Mendez, 42, and Marie Mendez, 49, were each convicted of one count of conspiracy to commit bank fraud and wire fraud. Additionally, Stavroula Mendez was convicted of 10 counts of bank fraud and three counts of wire fraud; Lazaro Mendez was convicted of 10 counts of bank fraud, and one count of wire fraud; and Marie Mendez was convicted of three counts of bank fraud and one count of wire fraud.

According to evidence presented at trial, Stavroula Mendez, Lazaro Mendez, and Marie Mendez controlled and managed various condominiums in the Miami area. As part of their fraud scheme, the defendants paid straw buyers to apply for mortgages to purchase units in their projects. The defendants then accepted the mortgage proceeds for the purchase of the units, but continued to control the units after the sales.

The evidence showed that Lazaro Mendez recruited family members and others to be straw buyers of units he controlled, and that he facilitated false loan applications for them. In addition, Lazaro Mendez enlisted mortgage brokers and another individual to recruit straw buyers and assist them in obtaining fraudulent loans. He accepted kickbacks out of loan proceeds for each buyer the brokers referred.

Evidence at trial further demonstrated that after units were sold at a development Stavroula Mendez controlled with her husband, Luis Mendez, Stavroula Mendez funneled money from the loan proceeds to shell companies controlled by others to pay for the straw buyers' closing cash obligations and mortgage payments. In 2008 and 2009, Stavroula Mendez used various shell companies to funnel more than \$2 million of the fraudulent proceeds to off-shore accounts located in Switzerland and Liechtenstein.

The evidence also showed that Marie Mendez assisted in the transfer of rental money received by the conspirators to make mortgage payments, and funneled cash to another individual to make mortgage payments on behalf of straw buyers. She also submitted fraudulent loan applications for three condominium units that were purchased in her name.

Eventually, the conspirators were unable to make mortgage payments, causing many of the condominium units to go into foreclosure and leading to \$20 million in losses to the lenders.

Following their convictions, each of the defendants was remanded into custody. Sentencing is scheduled for Feb. 3, 2015. Eleven other defendants associated with the scheme were previously convicted of fraud charges.

The case is being investigated by HUD-OIG and FHFA-OIG. The case is being prosecuted by Senior Trial Attorney Brian Young and Trial Attorneys Gary A. Winters and Kyle Maurer of the Criminal Division's Fraud Section.